



Mfofozi Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	Municipality
Mayoral committee	
Executive Mayor	SW Mgenge ME Ntshangase FPB Mpungose ZD Mfusi BT Mnqayi FM Thusi
Accounting Officer	KE Gamede
Chief Financial Officer	JV Nkosi
Registered office	25 Bredelia Street Kwambonambi KZN 3915
Postal address	P.O Box 96 Mbonambi 3915
Bankers	ABSA Bank
Telephone	(035) 580-1421
Fax Number	(035) 580-1141
E-mail Address (Accounting Officer)	gamedeke@mbonambi.co.za

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2014 and were signed on its behalf by:



Accounting Officer
K.E Gamede



Report of the Auditor General

To the Provincial Legislature of Mfolozi Local Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the Mfolozi Local Municipality which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 5 to 40.

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in municipal services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

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Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	4	5 747 293	4 070 011
Receivables from exchange transactions		575 478	571 939
VAT receivable	6	2 164 400	1 130 566
Cash and cash equivalents	7	155 904	845 719
		8 643 075	6 618 235
Non-Current Assets			
Property, Plant and Equipment	2	95 723 693	72 344 280
Intangible assets	3	76 765	109 360
		95 800 458	72 453 640
Total Assets		104 443 533	79 071 875
Liabilities			
Current Liabilities			
Finance lease obligation	9	1 020 273	284 915
Payables from exchange transactions	12	9 502 140	9 758 913
Unspent conditional grants and receipts	10	9 934 870	12 957 841
Provisions	11	1 000 090	882 329
		21 457 373	23 883 998
Non-Current Liabilities			
Finance lease obligation	9	1 549 540	615 699
Total Liabilities		23 006 913	24 499 697
Net Assets		81 436 620	54 572 178
Accumulated surplus		81 436 620	54 572 178

* See Note 33

Mfolozi Local Municipality

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Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	264 336	239 503
Other income from Exchange Transactions		753 859	155 850
Rental of facilities and equipment		76 304	82 303
Licences and permits		356 191	335 320
Recoveries-Bad Debts Movements		-	464 183
Other income -Excellence Award		1 000 000	-
Interest received - External Investments and Other	20	996 165	622 811
Total revenue from exchange transactions		3 446 855	1 899 970
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	14	6 012 494	5 229 884
Transfer revenue			
Government grants & subsidies	10	88 858 970	56 054 730
Fines		402 011	13 333
Total revenue from non-exchange transactions		95 273 475	61 297 947
Total revenue	13	98 720 330	63 197 917
Expenditure			
Employee related costs	18	(21 864 983)	(17 510 893)
Remuneration of councillors	19	(6 987 844)	(6 499 151)
Depreciation and amortisation	22	(3 557 498)	(3 412 897)
Impairment loss/ Reversal of impairments	23	(2 184 534)	-
Finance costs	24	(177 178)	(65 967)
Provision for Bad debts movements	20	(279 945)	-
Repairs and maintenance		(2 445 773)	(3 072 422)
Contracted services	26	(967 028)	(860 358)
Grants expenditures	27	(4 311 807)	-
General Expenses	17	(29 079 297)	(20 117 053)
Total expenditure		(71 855 887)	(51 538 741)
Operating surplus		26 864 443	11 659 176
Surplus for the year		26 864 443	11 659 176

* See Note 33

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Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Balance at 01 July 2012		38 389 470	38 389 470
Changes in net assets			
Prior year Adjustment-Other Assets	31	4 523 532	4 523 532
Total Restatement		4 523 532	4 523 532
Surplus for the year		11 659 176	11 659 176
Total changes		16 182 708	16 182 708
Restated* Balance at 01 July 2013		54 572 177	54 572 177
Changes in net assets			
Surplus for the year		26 864 443	26 864 443
Total changes		26 864 443	26 864 443
Balance at 30 June 2014		81 436 620	81 436 620

* See Note 33

Mfolozi Local Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		5 938 871	4 032 330
Grants		85 836 000	65 191 317
Interest income		996 165	-
Other receipts		2 270 988	622 811
		95 042 024	69 846 458
Payments			
Employee costs		(27 834 987)	(23 705 713)
Suppliers		(40 300 023)	(35 889 373)
Finance costs		(177 178)	(65 967)
		(68 312 188)	(59 661 053)
Net cash flows from operating activities	28	26 729 836	10 185 405
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(26 871 674)	(10 241 547)
Increase in Finance Leases	2	(2 217 176)	701 741
Net cash flows from investing activities		(29 088 850)	(9 539 806)
Cash flows from financing activities			
Finance lease payments		1 669 199	-
Net increase/(decrease) in cash and cash equivalents		(689 815)	645 599
Cash and cash equivalents at the beginning of the year		845 719	200 120
Cash and cash equivalents at the end of the year	7	155 904	845 719

* See Note 33

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Statement of Comparison of Budgets and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	4 920 000	-	4 920 000	-	-	4 920 000	6 012 494		1 092 494	122 %	122 %
Service charges	280 226	-	280 226	-	-	280 226	264 336		(15 890)	94 %	94 %
Investment revenue	150 000	-	150 000	-	-	150 000	996 165		846 165	664 %	664 %
Transfers recognised - operational	61 304 000	-	61 304 000	-	-	61 304 000	88 858 970		27 554 970	145 %	145 %
Other own revenue	836 000	-	836 000	-	-	836 000	2 588 365		1 752 365	310 %	310 %
Total revenue (excluding capital transfers and contributions)	67 490 226	-	67 490 226	-	-	67 490 226	98 720 330		31 230 104	146 %	146 %
Employee costs	(20 828 000)	-	(20 828 000)	-	-	(20 828 000)	(21 864 983)		(1 036 983)	105 %	105 %
Remuneration of councillors	(6 927 000)	-	(6 927 000)	-	-	(6 927 000)	(6 987 844)		(60 844)	101 %	101 %
Debt impairment	(250 000)	-	(250 000)	-	-	(250 000)	(279 945)		(29 945)	112 %	112 %
Depreciation and asset impairment	(2 100 000)	-	(2 100 000)	-	-	(2 100 000)	(5 742 032)		(3 642 032)	273 %	273 %
Finance charges	(293 097)	-	(293 097)	-	-	(293 097)	(177 178)		115 919	60 %	60 %
Transfers and grants	(375 000)	-	(375 000)	-	-	(375 000)	(4 311 807)		(3 936 807)	1 150 %	1 150 %
Other expenditure	(30 632 000)	809 964	(29 822 036)	-	-	(29 822 036)	(32 492 098)		(2 670 062)	109 %	106 %
Total expenditure	(61 405 097)	809 964	(60 595 133)	-	-	(60 595 133)	(71 855 887)		(11 260 754)	119 %	117 %
Surplus/(Deficit)	6 085 129	809 964	6 895 093	-	-	6 895 093	26 864 443		19 969 350	390 %	441 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	20 640 000	-	20 640 000	-	-	20 640 000	25 140 000	-	4 500 000	122 %	122 %
Surplus (Deficit) after capital transfers and contributions	26 725 129	809 964	27 535 093	-	-	27 535 093	52 004 443	-	24 469 350	189 %	195 %
Surplus/(Deficit) for the year	26 725 129	809 964	27 535 093	-	-	27 535 093	52 004 443	-	24 469 350	189 %	195 %
Capital expenditure and funds sources											
Total capital expenditure	25 340 000	-	25 340 000	-	-	25 340 000	50 359 167	-	25 019 167	199 %	199 %
Sources of capital funds											
Transfers recognised - capital	20 640 000	-	20 640 000	-	-	20 640 000	-	-	(20 640 000)	- %	- %
Internally generated funds	4 700 000	-	4 700 000	-	-	4 700 000	-	-	(4 700 000)	- %	- %
Total sources of capital funds	25 340 000	-	25 340 000	-	-	25 340 000	-	-	(25 340 000)	- %	- %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	25 340 000	-	25 340 000	-	-	25 340 000	26 729 836	-	1 389 836	105 %	105 %
Net cash from (used) investing	(25 340 000)	-	(25 340 000)	-	-	(25 340 000)	(29 088 850)	-	(3 748 850)	115 %	115 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(2 359 014)	-	(2 359 014)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	845 719	-	845 719	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	(1 513 295)	-	1 513 295	DIV/0 %	DIV/0 %

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Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Grap Standards Summary

Applicable Standards

GRAP 1	- Presentation of Financial Statement
GRAP 2	- Cash Flow Statement
GRAP 3	- Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	- Borrowing Costs
GRAP 9	- Revenue from Exchange Transactions
GRAP 13	- Leases
GRAP 14	- Events After the Reporting Date
GRAP 16	- Investment Properties
GRAP 17	- Property, Plant and Equipment
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	- Non-current Assets Held for Sale and Discontinued Operations
GRAP 31	- Intangible Assets
GRAP 24	- Presentation of Budget Information in Financial Statements
GRAP 23	- Revenue from Non-exchange Transactions
GRAP 104	- Financial Instruments

1.3 Going Concern Assumption

Basis

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Property, Plant and Equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Stormwater Drainage	20
Community	
• Buildings	30
• Recreational facilities	20-30
• Security - fencing	30
• Community Halls	30
• Parks and Gardens	30
• Libraries	5
Finance Lease Assets	
• Office Equipment	4
Other assets	
• Buildings	30
• Specialised vehicles	10
• Other vehicles	5

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Accounting Policies

1.4 Property, Plant and Equipment (continued)

Office equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
Other items of plant and equipment	5
• Landfill Sites	15
• Emergency equipment	7
• Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up

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Accounting Policies

1.5 Intangible assets (continued)

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

The annual amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Computer software, other	5 years

1.6 Financial instruments

Classification

Financial instruments are initially recognised at fair value.

Initial recognition and measurement

Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the of an approved GRAP104 Standard on Financial Instruments.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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Accounting Policies

1.6 Financial instruments (continued)

Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Receivables from exchange transactions

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less the 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts is more then 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%.

Payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

Mfolozi Local Municipality

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Accounting Policies

1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

1.11 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: traffic fines. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.13 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.14 Retirement Benefits

Post Retirement

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

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2. Property, Plant and Equipment

	2014			Restated 2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 385 974	(3 574 792)	3 811 182	7 385 974	(3 185 100)	4 200 874
Leased-Office Equipment	1 174 324	(499 246)	675 078	1 174 323	(264 382)	909 941
Leased-Motor Vehicles	2 217 177	(332 852)	1 884 325	-	-	-
Infrastructure	23 280 430	(10 543 965)	12 736 465	18 971 627	(7 918 522)	11 053 105
Community	42 284 344	(13 804 523)	28 479 821	35 273 936	(12 430 913)	22 843 023
Other property, plant and equipment	8 600 310	(6 617 627)	1 982 683	8 300 071	(5 864 651)	2 435 420
Work in Progress	35 749 286	-	35 749 286	20 497 064	-	20 497 064
Total	131 096 698	(35 373 005)	95 723 693	102 007 848	(29 663 568)	72 344 280

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	10 404 853	-	-	-	-	10 404 853
Buildings	4 200 874	-	-	(237 497)	(152 195)	3 811 182
Leases -Office Equipment	909 941	-	-	(234 865)	-	675 076
Leased-Motor Vehicles	-	2 217 176	-	(332 852)	-	1 884 324
Infrastructure	11 775 418	-	3 586 491	(699 850)	(1 925 593)	12 736 466
Community	22 120 708	-	7 732 722	(1 302 108)	(71 501)	28 479 821
Other property, plant and equipment	2 435 419	300 240	-	(717 730)	(35 245)	1 982 684
Work in Progress	20 497 064	26 571 435	(11 319 213)	-	-	35 749 286
	72 344 277	29 088 851	-	(3 524 902)	(2 184 534)	95 723 692

Reconciliation of property, plant and equipment - Restated 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	10 404 853	-	-	-	10 404 853
Buildings	4 447 073	-	-	(246 199)	4 200 874
Leased-Office equipment	374 174	701 741	-	(165 974)	909 941
Infrastructure	9 603 168	-	2 852 760	(680 510)	11 775 418
Community	15 900 810	-	7 381 414	(1 161 516)	22 120 708
Other property, plant and equipment	3 151 565	536 216	-	(1 252 362)	2 435 419
Work in Progress	18 085 842	12 645 396	(10 234 174)	-	20 497 064
	61 967 485	13 883 353	-	(3 506 561)	72 344 277

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

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3. Intangible assets

	2014			Restated 2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	162 978	(86 213)	76 765	162 978	(53 618)	109 360

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software, other	109 361	(32 595)	76 766

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	141 957	(32 596)	109 361

4. Receivables from non-exchange transactions

Trade debtors	7 542 380	5 644 302
Other Debtors from Exchange Transactions	59 150	-
Provision for Doubtful debts	(1 854 237)	(1 574 291)
	5 747 293	4 070 011

Reconciliation of provision for doubtful debts of trade and other receivables

Opening balance	1 574 291	2 038 474
Provision for impairment	279 945	-
Unused amounts reversed	-	(1 036 122)
Other	-	571 939
	1 854 236	1 574 291

5. Summary of Debtors by Service Category

Gross balances		
Rates	7 542 380	5 644 302
Fines	59 150	-
Other Debtors	575 478	571 939
	8 177 008	6 216 241
Less: Provision for Debtors		
Rates	(1 282 298)	(1 002 353)
Other Debtors	(571 938)	(571 938)
	(1 854 236)	(1 574 291)
Net balance		
Rates	5 747 923	4 641 950

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
5. Summary of Debtors by Service Category (continued)		
Included in above is receivables from exchange transactions		
Rates	7 542 380	5 644 302
Fines	59 150	-
	7 601 530	5 644 302
Gross balance	7 601 530	5 644 302
Rates		
Current (0 -30 days)	522 465	514 174
31 - 60 days	423 100	299 344
61 - 90 days	267 144	275 210
91 - 120 days	246 365	254 473
121 - 365 days	6 083 306	4 301 101
	7 542 380	5 644 302

Mfolozi Local Municipality

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5. Summary of Debtors by Service Category (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	114 390	110 641
31 - 60 days	77 153	74 928
61 - 90 days	59 710	60 138
91 - 120 days	55 222	53 976
121 - 365 days	1 312 209	1 237 998
	1 618 684	1 537 681
Less: Allowance for impairment	(604 723)	(430 515)
	1 013 961	1 107 166

Industrial/ commercial

Current (0 -30 days)	224 363	249 034
31 - 60 days	174 283	71 600
61 - 90 days	47 799	63 708
91 - 120 days	39 054	50 553
121 - 365 days	991 881	1 175 201
	1 477 380	1 610 096
Less: Allowance for impairment	(677 575)	(571 838)
	799 805	1 038 258

National and provincial government

Current (0 -30 days)	151 705	154 499
31 - 60 days	149 645	152 816
61 - 90 days	146 982	151 364
91 - 120 days	145 555	149 944
121 - 365 days	3 812 588	1 887 902
	4 406 475	2 496 525

Total

Current (0 -30 days)	490 458	514 174
31 - 60 days	401 081	299 344
61 - 90 days	254 491	275 210
91 - 120 days	239 830	254 473
121 - 365 days	6 156 519	4 873 040
	7 542 379	6 216 241
Less: Allowance for impairment	(1 282 298)	(1 002 353)
	6 260 082	5 213 888

Debtors past due but not impaired

Debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 7 542 380 (2013: R 5 644 302) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	522 465	514 174
2 months past due	423 100	299 344
3 months past due	6 596 815	4 830 784

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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6. VAT receivable

VAT	2 164 400	1 130 566
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VAT output is payable on the receipts basis and VAT input is paid over to SARS only once the payment is made to the supplier.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and Bank	133 859	841 769
Traffic Fines Account and Grant Cash Account	22 045	3 950
	155 904	845 719

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
ABSA BANK -Account Type- Cheque-40-5385-7155	134 126	837 333	-	131 429	841 769
ABSA BANK -Account Type- Traffic 40-7854-4599-271	14 090	3 950	-	14 090	3 950
ABSA BANK - Account Type - INEP-92-8652-5057	1 178	-	-	1 178	-
ABSA BANK - Account Type - MIG-92-8651-3913	1 357	-	-	1 357	-
ABSA BANK - Account Type - EPWP-92-8651-3769	2 819	-	-	2 819	-
ABSA BANK - Account Type - MFMA-92-8652-5340	1 151	-	-	1 151	-
ABSA BANK - Account Type - MSIG-92-8651-3028	1 449	-	-	1 449	-
ABSA BANK - Account Type - Call Account - 91-0739-9765	2 431	-	-	2 431	-
Total	158 601	841 283	-	155 904	845 719

8. Employee benefit obligations

Defined benefit obligations

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The discount rate used by the actuaries was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

The actuaries have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

Mfolozi Local Municipality

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8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends and salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends and salary inflation rates would have the following effects:

Increase of 1 % / (Decrease of 1 %)

Effect on the post employment medical aid benefit (pemab)	705 000	1 687 000
Effect on the aggregate of the service cost and interest cost - pemab	147 000	305 000
Effect on the post employment medical aid benefit (pemab)	(983 000)	(2 006 000)
Effect on the aggregate of the service cost and interest cost - pemab	(208 000)	(374 000)
Effect on the Long Service awards (Isa)	347 000	238 000
Effect on the aggregate of the service cost and interest cost - Isa	102 000	56 000
Effect on the long service awards (Isa)	(308 000)	(212 000)
Effect on the aggregate of the service cost and interest cost - Isa	(91 000)	(50 000)

Defined benefits obligations

An amount of R11 755 553(2013 - R9 925 892) was contributed by Council towards employment retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.:

	Last Actuarial Valuation	Total assets R	Total Liabilities R	Net Gain/(Loss) R	
Government Employees Pension Fund	March 2010	801 004 000	801 004 000	-	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2013	1 651 394	1 584 921	66 473	-
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2013	7 467 702	7 626 418	(158 716)	-
Natal Joint Municipal Pension Fund (Retirement)	March 2013	2 765 941	2 969 701	(203 760)	-
Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-	-

Mfolozi Local Municipality

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Notes to the Annual Financial Statements

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9. Finance lease obligation		
Minimum lease payments due		
- within one year	1 198 301	353 498
- in second to fifth year inclusive	1 658 234	691 613
	2 856 535	1 045 111
less: future finance charges	(286 722)	(144 497)
Present value of minimum lease payments	2 569 813	900 614
Present value of minimum lease payments due		
- within one year	1 020 273	284 915
- in second to fifth year inclusive	1 549 540	615 699
	2 569 813	900 614
Non-current liabilities	1 549 540	284 915
Current liabilities	1 020 273	615 699
	2 569 813	900 614

It is municipality policy to lease certain equipment and motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2013: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. .

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grant	6 198 724	8 531 724
Housing Grant	1 766 956	1 766 956
Library Grant	35 896	-
Beach Access Upgrade	819 333	913 725
IDP	112 018	129 117
Development Planning and Shared Services	371 319	371 319
Small Town Rehabilitation	270 000	570 000
Sports and Recreation	247 528	675 000
INEG Grant	113 096	-
	9 934 870	12 957 841

Movement during the year

Balance at the beginning of the year	12 957 841	2 054 297
Additions during the year	85 835 999	65 191 317
Income recognition during the year	(88 858 970)	(54 287 773)
	9 934 870	12 957 841

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

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10. Unspent conditional grants and receipts (continued)

11. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Leave Provisions	882 329	117 761	1 000 090

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Leave Provisions	683 792	198 537	882 329

Leave pay

Relates to accrual for unused leave at year-end. The leave is expected to be taken over the next two financial years and is calculated based on employee total cost to company.

The leave is payable to the employee on resignation and has an option of the leave days to be paid out or cashed.

12. Payables from exchange transactions

Trade payables	7 896 160	9 117 458
Other creditors	1 605 980	641 455
	9 502 140	9 758 913

Other creditors balance is made out of :

Payroll creditors	1 401 696	463 543
Other Creditors	204 284	177 912
	1 605 980	641 455

The fair value of trade and other payables approximates their carrying amounts.

13. Revenue

Rendering of services	753 859	155 850
Service charges	264 336	239 503
Rental of facilities and equipment	76 304	82 303
Licences and permits	356 191	335 320
Recoveries	-	464 183
Other income-Award	1 000 000	-
Interest received - investment	996 165	622 811
Property rates	6 012 494	5 229 884
Government grants & subsidies	88 858 970	56 054 730
Fines	402 011	13 333
	98 720 330	63 197 917

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
13. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	264 336	239 503
Rendering of services	753 859	155 850
Rental of facilities and equipment	76 304	82 303
Licences and permits	356 191	335 320
Recoveries	-	464 183
Other income -Award	1 000 000	-
Interest received - investment	996 165	622 811
	3 446 855	1 899 970

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	6 012 494	5 229 884
Transfer revenue		
Government grants & subsidies	88 858 970	56 054 730
Fines	402 011	13 333
	95 273 475	61 297 947

14. Property rates

Rates received

Property rates	9 686 030	8 640 527
Less: Income forgone	(3 673 536)	(3 410 643)
	6 012 494	5 229 884

Valuations

Residential	193 868 000	193 868 000
Commercial	95 165 000	95 165 000
State	141 833 000	141 833 000
Municipal (Ngonyama Trust)	42 250 000	42 250 000
Agriculture	588 256 000	588 256 000
Public Benefit Organisations	122 209 000	122 209 000
Public Service Infrastructure	7 213 000	7 213 000
	1 190 794 000	1 190 794 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.03611 is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners.

15. Service charges

Refuse removal	264 336	239 503
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Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
16. Government grants and subsidies		
Operating grants		
Equitable share	52 392 000	42 310 000
Sports and Recreation Grant	1 627 472	-
MSIG	890 000	800 000
MAP-Admin Capacity	-	804 149
IDP Grant	17 098	70 883
Beach Access Upgrade Grant	94 392	86 275
Small Town Rehabilitation Grant	300 000	30 000
Library Grant	336 104	177 000
Technical Support Grant	525 000	-
FMG Grant	1 650 000	1 534 873
EPWP Grant	1 000 000	-
INEG Grant	4 886 904	-
MAP-Saligina Crescent	-	842 680
	63 718 970	46 655 860
Capital grants		
MIG Grant	25 140 000	9 398 870
	25 140 000	9 398 870
	88 858 970	56 054 730
MIG Grant		
Balance unspent at beginning of year	8 531 724	372 594
Current-year receipts	25 140 000	17 558 000
Conditions met - transferred to revenue	(27 473 000)	(9 398 870)
	6 198 724	8 531 724
FMG Grant		
Balance unspent at beginning of year	-	34 873
Current-year receipts	1 650 000	1 500 000
Conditions Met	(1 650 000)	(1 534 873)
	-	-
MAP-Admin Capacity		
Balance unspent at beginning of year	-	804 149
Conditions met - transferred to revenue	-	(804 149)
	-	-
MAP-Saligina Crescent		
Balance unspent at beginning of year	-	842 680
Conditions met - transferred to revenue	-	(842 680)
	-	-
Technical Support Grant		
Current-year receipts	525 000	-
Conditions still to be met - remain liabilities (see note 10).		

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
16. Government grants and subsidies (continued)		
Housing Grant		
Balance unspent at beginning of year	1 733 161	1 733 161
Conditions still to be met - remain liabilities (see note 10).		
Library Grant		
Current-year receipts	372 000	177 000
Conditions met - transferred to revenue	(336 104)	(177 000)
	35 896	-
Conditions still to be met - remain liabilities (see note 10).		
Beach Access Upgrade		
Balance unspent at beginning of year	913 725	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(94 392)	(86 275)
	819 333	913 725
Conditions still to be met - remain liabilities (see note 10).		
IDP Grant		
Balance unspent at beginning of year	129 117	-
Current-year receipts	-	200 000
Conditions met - transferred to revenue	(17 099)	(70 883)
	112 018	129 117
Conditions still to be met - remain liabilities (see note 10).		
Development Planning and Shared Services		
Balance unspent at beginning of year	371 319	-
Current-year receipts	-	371 319
	371 319	371 319
Conditions still to be met - remain liabilities (see note 10).		
Small Town Rehabilitation Grant		
Balance unspent at beginning of year	570 000	-
Current-year receipts	-	600 000
Conditions met - transferred to revenue	(300 000)	(30 000)
	270 000	570 000
Conditions still to be met - remain liabilities (see note 10).		
Sports and Recreation Grant		
Balance unspent at beginning of year	675 000	-
Current-year receipts	1 200 000	675 000
Conditions met - transferred to revenue	(1 627 472)	-

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
16. Government grants and subsidies (continued)	247 528	675 000
Conditions still to be met - remain liabilities (see note 10).		
INEG Grant		
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 886 904)	-
	113 096	-
Conditions still to be met - remain liabilities (see note 10).		
MSIG Grant		
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	-
Conditions still to be met - remain liabilities (see note 10).		
EPWP Grant		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 10).		

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
17. General expenses		
Audit Committee	95 479	40 924
Advertising	1 052 981	387 371
Auditors remuneration	1 183 406	1 289 082
Bank charges	162 586	86 733
Cleaning	44 757	81 218
Poverty Alleviation	976 408	345 816
Internal Audit Fees	1 011 162	892 861
Consulting and professional fees	6 364 311	2 902 520
Consumables	23 993	-
Publicity	329 185	44 300
Entertainment	231 750	204 964
Mayoral Projects	2 421 538	1 375 266
Gifts	32 071	20 216
Insurance	199 866	264 169
Community development and training	1 247 287	311 980
Conferences and seminars	115 044	23 538
Street Lighting	198 120	328 884
Legal Fees	91 600	46 688
Vehicles expenses	337 548	364 863
Lease Rentals	279 682	496 293
Traffic managers services	228 538	173 256
Medical expenses	3 825	3 342
Sampling Testing	198 390	-
Fuel and oil	1 037 478	773 990
Tools	147 813	16 124
Postage and courier	19 164	17 578
Printing and stationery	322 254	951 955
Protective clothing	31 001	-
Royalties and license fees	23 784	13 674
Refreshments	267 756	453 380
Staff welfare	30 000	-
Subscriptions and membership fees	481 342	409 667
Telephone and fax	1 038 797	859 605
Training	582 445	788 145
Travel - local	1 277 064	908 271
Land usage management systems	345 958	602 591
Electricity	1 329 249	1 145 054
Sewerage and waste disposal	71 360	404 142
Uniforms	320 373	191 635
Archiving	241 308	127 085
Community Services	2 590 204	988 933
Noise Pollutions and Disaster Funds	1 189 502	978 953
HIV Awareness	70 605	111 715
Other operating projects	228 343	30 750
LED Expenses	252 284	492 765
Grants and Donations	348 120	161 100
Sundries	3 566	5 657
	29 079 297	20 117 053

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
18. Employee related costs		
Basic	13 821 654	11 219 603
Bonus	859 870	679 122
Medical aid - company contributions	1 084 034	821 009
SDL	246 370	200 617
Pension Contributions	1 776 779	1 584 672
Leave pay provision charge	117 761	198 537
Overtime payments	944 068	732 782
Night allowances	126 564	100 602
Travell Allowances	2 206 190	1 427 360
Housing benefits and allowances	38 932	42 696
Funeral Scheme	187 850	122 672
Group Life insurance	332 818	278 922
Unemployment Insurance	115 457	96 831
Bargaining Council	6 636	5 468
	21 864 983	17 510 893
Remuneration of Municipal Manager		
Annual Remuneration	777 497	118 750
Car Allowance	336 623	39 583
Contributions to UIF, Medical and Pension Funds	44 218	1 822
Acting Allowance	-	197 553
	1 158 338	357 708
Remuneration of Chief Finance Officer		
Annual Remuneration	549 261	569 574
Car Allowance	225 500	142 393
Contributions to UIF, Medical and Pension Funds	31 565	7 482
Acting Allowance	69 221	-
	875 547	719 449
Remuneration of Corporate Services Director		
Annual Remuneration	504 865	569 574
Car Allowance	225 500	142 393
Contributions to UIF, Medical and Pension Funds	30 125	7 923
Acting Allowance	994	-
	761 484	719 890
Remuneration of Technical Services Director		
Annual Remuneration	47 833	569 574
Car Allowance	20 500	142 393
Contributions to UIF, Medical and Pension Funds	797	7 414
	69 130	719 381
Remuneration of Community Services Director		
Annual Remuneration	492 667	-

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
18. Employee related costs (continued)		
Car Allowance	225 500	-
Contributions to UIF, Medical and Pension Funds	92 841	-
Leave pay	34 174	-
		-
	845 182	-
PAYE, UIF & SDL		
Opening balance	463 543	6 524 248
Council subscriptions	5 056 883	3 753 522
Amount paid-current	(4 666 022)	(3 289 979)
Amount paid-previous years	(463 543)	(6 524 248)
	390 861	463 543
Pension and Medical Aid		
Opening Balance	337 779	502 393
Council Subscriptions	2 860 816	3 932 061
Amount paid-current	(2 709 429)	(3 594 282)
Amount paid-previous	(337 779)	(502 393)
	151 387	337 779
19. Remuneration of councillors		
Executive Mayor	261 807	249 340
Cellphone Allowances	725 370	370 157
Councillors allowances	4 497 267	4 256 185
Travel Allowances	1 503 400	1 623 469
	6 987 844	6 499 151
20. Debt impairment		
Contributions to debt impairment provision	279 945	-
21. Investment revenue		
Interest revenue		
Interest earned-Banks	153 449	152 684
Interest earned-outstanding receivables	684 602	470 127
Interest earned-External investments	158 114	-
	996 165	622 811
22. Depreciation and amortisation		
Property, Plant and Equipment	3 557 498	3 412 897

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. Impairment of assets		
Impairments		
Property, Plant and Equipment	2 184 534	-
24. Finance costs		
Other interest paid	177 178	65 967
25. Auditors' remuneration		
Opening for previous year	139 600	44 141
Current year Audit Fees	-	1 262 085
Current year fees paid	-	(1 166 626)
	139 600	139 600
26. Contracted services		
Specialist Services	353 292	348 779
Other Contractors	613 736	511 579
	967 028	860 358
27. Grants Expenditures		
Other subsidies		
Intergrated Natal Electrical Program	4 311 807	-
28. Cash generated from operations		
Surplus	26 864 443	11 659 176
Adjustments for:		
Depreciation and amortisation	3 557 498	3 412 897
Impairment deficit	2 184 534	-
Debt impairment/ (Reversal)	-	(1 036 122)
Movements in provisions	117 761	198 537
Changes in working capital:		
Receivables from non-exchange transactions	(1 957 228)	(2 114 046)
Other receivables from non-exchange transactions	(3 539)	541 691
Movements in the provisions	279 945	1 031 636
Payables from exchange transactions	(256 773)	(7 104 774)
VAT	(1 033 834)	(152 508)
Unspent conditional grants and receipts	(3 022 971)	3 748 918
	26 729 836	10 185 405

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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29. Commitments

Authorised capital expenditure

Already contracted for and Approved

• Community	5 904 914	15 270 301
• Infrastructure	4 499 872	3 728 927
	10 404 786	18 999 228

Approved but not yet contracted for

• Infrastructure	23 452 000	20 645 000
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30. Contingencies

Litigations Details.

Nhlangothi Constructions	125 000	125 000
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31. Going Concern

Management acknowledges the unfavourable financial health of the Municipality, as current liabilities were higher than current assets characterised by Payables. This was mainly due to high payables and unspent conditional grants that were not cashed back. Despite this the municipality will continue to operate as going concern as there are guaranteed equitable share allocations that injecting cash on continuous basis.

32. Changes in accounting policy

Property, Plant and Equipment

During the year the Municipality changed its accounting policy in terms of recognizing income from Traffic Fines. The reason for change in accounting policy is to comply with the requirements of IGRAP 1 on Revenue Recognition which require municipality to recognize income from Traffic Fines when they are issued while traffic fine income was previously recognised on a cash basis. The standard has been applied prospectively and no comparatives have been adjusted.

33. Prior period errors

Property, Plant and Equipment was restated due to the assets that were incorrectly expensed in the 2010/2011 financial years which were not capitalised. Due to that the error has been corrected in the prior year including the depreciation that was not previously accounted for. This resulted into the increase in other assets and also the adjustment in the accumulated surplus in order to correctly account for such assets.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant, equipment and Intangibles	-	631 297
Accumulated depreciation	-	(294 604)
Total	-	336 693
Opening Accumulated Surplus or Deficit	-	4 523 532
Trade and Other payables	-	(5 920 000)
Unspent Grants-Housing	-	1 733 161
Total	-	336 693

Cash flow statement

Cash flow from investing activities

Acquisition of Property, Plant and Equipment (Other Assets)	-	(631 297)
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Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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34. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

35. Events after the reporting date

There are no post balance sheet events that has occurred in the current year under review.

36. Unauthorised expenditure

Opening Balance	11 224 280	2 088 091
Current year	11 186 039	9 136 189
Unauthorised expenditure awaiting condonement	22 410 319	11 224 280

37. Fruitless and wasteful expenditure

Opening Balance	1 052 074	873 107
Current year	-	7 400
Interest and Penalties	-	171 567
Fruitless and wasteful expenditure awaiting condonement	1 052 074	1 052 074

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
38. Irregular expenditure		
Opening balance	26 696 758	13 709 049
Add: Irregular Expenditure - current year	17 459 466	12 987 709
Irregular expenditure awaiting condonement	44 156 224	26 696 758

Appendix 2

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

Land and buildings

Land (Separate for AFS purposes)	10 404 853	-	-	-	-	10 404 853	-	-	-	10 404 853
Buildings (Separate for AFS purposes)	7 385 974	-	-	-	-	7 385 974	(3 185 100)	-	-	3 811 182
	17 790 827	-	-	-	-	17 790 827	(3 185 100)	-	-	14 605 626

infrastructure

Bus Terminals	1,245,536	-	-	331,157	-	-	1,600,727	(185,308)	-	-	(48,628)	(104,001)	(337,933)	1,262,774
Lighting	280,408	-	-	-	-	-	280,409	(74,778)	-	-	(5,347)	(21,580)	(106,105)	174,304
Pavements	48,417	-	-	-	-	-	48,417	(16,139)	-	-	(1,514)	-	(17,753)	30,664
Road Signs	16,866	-	-	-	-	-	10,800	(5,760)	-	-	(360)	-	(6,120)	4,680
Roads	17,878,533	-	-	3,265,294	-	-	21,134,832	(7,523,653)	-	-	(626,641)	(1,799,612)	(9,951,906)	11,181,926
Stormwater Drainage	205,246	-	-	-	-	-	205,246	(112,885)	-	-	(10,262)	-	(123,147)	82,099
	19,691,940	-	-	3,596,491	-	-	23,280,431	(7,918,521)	-	-	(600,850)	(1,874,833)	(10,541,864)	12,236,467

Community Assets

Community Assets	31,239,667	-	-	7,157,232	-	-	38,397,099	(11,575,503)	-	-	(1,151,716)	(19,024)	(12,785,243)	25,611,856
Sportsfields and Stadium	2,311,752	-	-	575,490	-	-	2,887,242	(855,411)	-	-	(110,392)	(53,477)	(1,019,280)	2,867,963
	34,551,520	-	-	7,732,722	-	-	41,284,342	(12,430,914)	-	-	(1,262,108)	(73,501)	(13,804,523)	28,478,219

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Leased Assets

Office Equipments
Vehicles

Assets Under Construction

Assets under Construction

Other assets

Equipment
Furniture & Fixings
Vehicles

Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Acquisitions Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Acquisitions Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 185 190)	-	-	(237 497)	(152 195)	(3 574 792)	14 216 035
Infrastructure	19 693 940	-	-	3 586 491	-	-	23 280 431	(7 918 521)	-	-	(599 850)	(1 925 593)	(10 543 964)	12 736 467
Community Assets	34 651 620	-	-	7 732 722	-	-	42 384 342	(12 430 914)	-	-	(1 302 104)	(71 501)	(13 804 521)	28 479 819
Leased Assets	1 174 323	2 217 176	-	-	-	-	3 391 499	(254 382)	-	-	(567 717)	-	(832 099)	2 559 400
Assets Under Construction	20 497 064	26 571 435	-	(11 319 213)	-	-	35 749 286	-	-	-	-	-	-	35 749 286
Other assets	7 628 773	300 240	-	-	631 298	-	8 560 311	(5 570 045)	(294 606)	-	(717 720)	(35 245)	(6 617 627)	1 992 684
	101 376 547	29 088 851	-	-	631 298	-	131 095 636	(29 368 953)	(294 606)	-	(3 524 902)	(2 184 534)	(35 373 005)	95 723 691
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	162 978	-	-	-	-	-	162 978	(63 617)	-	-	(32 595)	-	(86 212)	76 766
	162 978	-	-	-	-	-	162 978	(63 617)	-	-	(32 595)	-	(86 212)	76 766
Investment properties														
Total														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(3 185 190)	-	-	(237 497)	(152 195)	(3 574 792)	14 216 035
Infrastructure	19 693 940	-	-	3 586 491	-	-	23 280 431	(7 918 521)	-	-	(599 850)	(1 925 593)	(10 543 964)	12 736 467
Community Assets	34 651 620	-	-	7 732 722	-	-	42 384 342	(12 430 914)	-	-	(1 302 104)	(71 501)	(13 804 521)	28 479 819
Leased Assets	1 174 323	2 217 176	-	-	-	-	3 391 499	(254 382)	-	-	(567 717)	-	(832 099)	2 559 400
Assets Under Construction	20 497 064	26 571 435	-	(11 319 213)	-	-	35 749 286	-	-	-	-	-	-	35 749 286
Other assets	7 628 773	300 240	-	-	631 298	-	8 560 311	(5 570 045)	(294 606)	-	(717 720)	(35 245)	(6 617 627)	1 992 684
Intangible assets	162 978	-	-	-	-	-	162 978	(63 617)	-	-	(32 595)	-	(86 212)	76 766
	101 529 525	29 088 851	-	-	631 298	-	131 259 674	(29 422 580)	(294 606)	-	(3 557 437)	(2 184 534)	(35 459 217)	95 800 457

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Non-current assets														
Cost/Revaluation							Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
10 404 853	-	-	-	-	-	10 404 853	-	-	-	-	-	-	10 404 853	
7 385 674	-	-	-	-	-	7 385 974	(2 538 901)	-	-	(246 189)	-	(3 185 100)	4 200 874	
17 790 527	-	-	-	-	-	17 790 827	(2 538 901)	-	-	(246 189)	-	(3 185 100)	14 605 727	
419 385	-	-	850 165	-	-	1 269 550	(140 621)	-	-	(44 695)	-	(185 316)	1 094 224	
280 405	-	-	-	-	-	280 405	(65 431)	-	-	(9 347)	-	(74 778)	205 631	
46 417	-	-	-	-	-	46 417	(14 525)	-	-	(1 614)	-	(16 139)	32 278	
10 600	-	-	-	-	-	10 600	(5 400)	-	-	(350)	-	(5 750)	5 040	
15 876 043	-	-	2 002 695	-	-	17 878 738	(5 909 411)	-	-	(614 242)	-	(7 523 653)	10 355 885	
205 246	-	-	-	-	-	205 246	(102 623)	-	-	(10 262)	-	(112 885)	92 361	
16 841 180	-	-	2 852 760	-	-	19 693 940	(7 238 911)	-	-	(680 510)	-	(7 918 521)	11 775 419	
24 550 453	-	-	6 885 414	-	-	31 435 867	(10 524 378)	-	-	(1 051 125)	-	(11 575 503)	19 964 354	
2 619 754	-	-	691 595	-	-	3 311 349	(745 019)	-	-	(110 382)	-	(855 411)	2 456 342	
27 170 207	-	-	7 576 999	-	-	34 747 216	(11 269 397)	-	-	(1 161 517)	-	(12 430 914)	22 120 706	

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Leased assets

Office Equipments

Assets under Construction

Assets under Construction

Other assets

Equipment
Furniture and Fittings
Vehicles
Other movable assets

Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(2 538 931)	-	-	(246 199)	-	(3 185 100)	14 606 727
Infrastructure	16 841 180	-	-	2 852 760	-	-	19 693 940	(7 238 011)	-	-	(680 510)	-	(7 918 521)	11 775 419
Community Assets	27 170 207	-	-	7 381 413	-	-	34 551 620	(11 269 397)	-	-	(1 161 517)	-	(12 430 914)	22 120 706
Leased assets	472 582	701 741	-	-	-	-	1 174 323	(59 408)	-	-	(165 974)	-	(264 382)	959 941
Assets under Construction	19 085 842	12 645 355	-	(10 234 173)	-	-	20 497 064	-	-	-	-	-	-	20 497 064
Other assets	7 763 955	535 216	-	-	-	-	8 300 071	(4 738 550)	-	-	(1 126 059)	-	(5 864 648)	2 435 423
	88 124 493	13 883 352	-	-	-	-	102 007 845	(26 283 257)	-	-	(3 380 298)	-	(29 653 555)	72 144 280
Intangible assets														
Computers - software & programming	162 978	-	-	-	-	-	162 978	(21 021)	-	-	(32 597)	-	(53 618)	109 360
	162 978	-	-	-	-	-	162 978	(21 021)	-	-	(32 597)	-	(53 618)	109 360
Total														
Land and buildings	17 790 827	-	-	-	-	-	17 790 827	(2 538 931)	-	-	(246 199)	-	(3 185 100)	14 606 727
Infrastructure	16 841 180	-	-	2 852 760	-	-	19 693 940	(7 238 011)	-	-	(680 510)	-	(7 918 521)	11 775 419
Community Assets	27 170 207	-	-	7 381 413	-	-	34 551 620	(11 269 397)	-	-	(1 161 517)	-	(12 430 914)	22 120 706
Leased assets	472 582	701 741	-	-	-	-	1 174 323	(59 408)	-	-	(165 974)	-	(264 382)	959 941
Assets under Construction	19 085 842	12 645 355	-	(10 234 173)	-	-	20 497 064	-	-	-	-	-	-	20 497 064
Other assets	7 763 955	535 216	-	-	-	-	8 300 071	(4 738 550)	-	-	(1 126 059)	-	(5 864 648)	2 435 423
Intangible assets	162 978	-	-	-	-	-	162 978	(21 021)	-	-	(32 597)	-	(53 618)	109 360
	88 287 471	13 883 352	-	-	-	-	102 170 823	(26 304 258)	-	-	(3 412 855)	-	(29 717 183)	72 453 640

June 2014

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation

[illegible]

Appendix D

June 2014

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	8 378 945	(8 378 945)	Executive & Council/Mayor and Council	-	9 785 309	(9 785 309)
53 273 394	17 041 374	36 232 020	Finance & Admin/Finance	95 696 151	22 756 568	72 939 583
525 653	10 571 878	(10 046 225)	Planning and Development/Economic Development/Plan	1 035 156	6 830 009	(5 794 853)
9 398 870	13 078 146	(3 679 276)	Corporate Services	-	13 088 989	(13 088 989)
-	2 468 398	(2 468 398)	Comm. & Social/Libraries and archives	1 927 472	19 320 327	(17 392 855)
-	-	1		-	-	-
63 197 917	51 538 741	11 659 177		98 658 779	71 781 202	26 877 577